

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 24 MAY 2016

**HRA EXTERNAL REPAINTING PROGRAMME 2017 TO 2022
PROCUREMENT AUTHORITY APPROVAL REQUEST**

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report seeking authority for the proposed procurement where the maximum value of the contract is above the Chief Officer's delegated authority limit.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) approves the indicative estimated overall cost over five years of £3,400,000 for the Council housing external repainting maintenance cycle from April 2017 to March 2022;
- (ii) approves the procurement authority, as contained in this report, in accordance with the process stated in Section 16.8 of the Financial Regulations;
- (iii) notes the financial implications included in Section 6 of this report.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/CORPORATE PLAN

2.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment opportunities
- Angus is a good place to live in, work and visit
- Our natural and built environment is protected and enjoyed

3. BACKGROUND

3.1 The current Housing external repainting contracts have been in place since April 2012 and expire on 31st March 2017. New contracts are needed to continue with the rolling programme of housing external repainterwork.

3.2 The external repainterwork is a continuing long term programme where all properties are repainted, where required, on a five yearly cycle forming part of the maintenance regime to the fabric of the Council housing stock. This protects the repainted elements of the properties and reduces the requirements for replacement or repair of these elements. Regular maintenance of our housing stock helps reduce tenancy offer refusals on the basis of property condition, leading to reduced void periods and greater rental income.

4. SCOPE OF CONTRACT

4.1 The works comprise the five year cycle of external repainterwork, pre-painterwork preparation, minor joinerwork repairs and other sundry repair work to the Council's housing stock.

- 4.2 The external repainting cycle will run from April 2017 to March 2022 and will be subject to the application of price fluctuations in line with the conditions of contract.
- 4.3 The works will be split into three contracts (lots) covering the following areas:

Arbroath/ Carnoustie/ Monifieth
Brechin/ Montrose
Forfar/ Kirriemuir

5. PROCUREMENT AUTHORITY

Objectives

- 5.1 The main objective of this programme is to continue the Council's five year cycle of annual council house external repainterwork programme. This will demonstrate the Council's commitment to continuous maintenance and improvement of the authorities housing stock.
- 5.2 The tender evaluation process will be carried out in accordance with the Financial Regulations for contracts over £500k in value and be carried out as set out in Section 5.15 of this report. The Contract Notice and Invitation to Tender documents will include community benefit clauses to encourage engagement of apprenticeships and the delivery of community benefit outcomes.

Sourcing Route/Collaborative Opportunities

- 5.3 Collaborative procurement opportunity details were passed to Tayside Procurement Consortium (TPC) on 15 February 2016. Confirmation was received on 24 February 2016 from TPC that based on the size, type and timescale of the proposed project there are currently no opportunities for collaborative procurement for the Council's requirement under the umbrella of TPC. This will be reviewed in the future as part of any procurement strategy for the delivery of a similar programme.
- 5.4 Technical and Property Services is successfully carrying out the current external re-painting programme using a procurement process which is based on tendering the works using outline information for each property enabling tenders to be submitted on a price per block/property basis using the information and the contract specification contained in the contract documents. This procurement process is a hybrid which uses SBCC standard conditions of contract and specifications but does not have drawings or detailed bills of quantities. The initial stage of the procurement will encompass open market competition on a 'restricted' basis. This procurement option has been very successful at providing a good quality, well managed project, with good tenant satisfaction at competitive rates. In order to comply with the latest procurement legislation the contract appointments will be on the basis of most economically advantageous tender.
- 5.5 Based on the previous success of this procurement method it is the recommendation of the Head of Technical and Property Services that the Council Housing external repainting programme for the next five year cycle is procured using the restricted tendering procedure and awarding to a maximum of three suppliers (three contracts lots). The three lots option has been successfully used previously and provides value for money and savings in Council resources due to the restricted number of contract lots. The management of the three lots are also optimised as they align with the three housing team areas.
- 5.6 The project will be advertised on Public Contracts Scotland (PCS) in line with Council policy in July 2016. As the estimated value for the new build works noted in Section 6.1 exceeds the regulated procurement threshold of £2,000,000, Procurement (Scotland) Regulations 2016 procedures will apply. Any capable local contractors will be identified and steps taken to alert them to the bidding opportunity prior to advertisement of the project.
- 5.7 Procurement will be via a two stage 'restricted' process which will require contractors to submit the standard Scottish European Single Procurement Document (ESPD) which, under the Public Contracts (Scotland) Regulations 2015 (for procurement commenced from 18 April 2016), replaces the Pre-Qualification Questionnaire (PQQ). Those bidders who satisfy the minimum thresholds set and communicated within the Contract Notice will be invited to submit

a tender. The Invitation to Tender will include a schedule of items to be priced by the bidders. The evaluation methodology based on the Scottish ESPD is set out in Section 5.13 of this report. The tender documentation will incorporate standard Scottish Building Contract 2011 conditions, contract specific preliminaries, pricing documents, community benefit clauses, a fair working practices question, pre-construction information pack and specification of requirement.

- 5.8 Following the evaluation of the Scottish ESPD, it is anticipated that invitations to tender will be issued in October 2016 and returned during December 2016. Tenders will be evaluated in accordance with Section 5.15 of this report and the projected date for award of contract is February 2017 with the contracts commencing in April 2017. The contract period is for five years from April 2017 to March 2022, with price fluctuations being applied in accordance with the conditions of contract.
- 5.9 This report details the funding arrangements and procurement options fall within the procurement authority requirements contained in Financial Regulations (FR) 16.8. This procurement is not considered to be a “major procurement” in terms of Financial Regulation 16.8.4. Approval of this report would mean that the contract can be accepted without the need for further approval by the relevant committees. In accordance with the current arrangements the contract award will be the subject of a ‘Noting Report’ and will be available on the Council’s ‘Information Hub’.

Sustainable Procurement Considerations

- 5.10 The Scottish Government ‘Sustainability Test’ is to be utilised to identify any additional sustainable procurement measures which could be incorporated within the requirement or contract conditions. Due to the nature of the contracts it is not possible to identify materials with a high recycling content to meet the Council’s target of 10% by value of recycled content in property related construction projects valued over £1 million.
- 5.11 The successful bidder will be required to meet the community benefits requirements as specified and set as proportionate and relevant to the subject matter of the contract.

Procurement Procedure and Contract Award Criteria

- 5.12 The procurement of the contract will follow a two-stage ‘restricted’ tender procedure as the best means of procuring the works. There is anticipated to be a high degree of interest in tendering for this work and based on similar projects this process will allow the Council to select a list of up to eight of the most appropriate bidders to receive tender documents. This will ensure a good selection of bidders over the three lots.
- 5.13 The first stage pre-qualification (on the basis of the newly introduced standardised “European Single Procurement Document”) will address:
- Pass/ fail assessment against minimum requirements for: suitability (business probity, absence of relevant convictions, etc.), economic and financial standing, quality assurance schemes and environmental standards.
 - Scored evaluation of: Technical & Professional Ability; previous relevant experience, level of resources/capability, environmental management measures.
- 5.14 The second stage will comprise issuing tender documents to those bidders who satisfy the qualification thresholds set out in 5.13 above. The tender returns will be evaluated in line with the following contract award criteria.
- 5.15 The tenders will be evaluated on the basis of the most economically advantageous tender (MEAT) having regard to the following criteria which are weighted according to importance. Price is to be given a weighting of 70%, with the other quality related criteria listed below to be given a total weighting of 30% in accordance with the Financial Regulations. Once the tenders have been evaluated, as noted below, then an acceptance will be issued to the tenderers providing the highest MEAT score within each lot.

Quality Criteria

- Management and Supervision – 7%: Tenderers to identify number, role, qualifications and management of staff who are to deliver the requirement.
- Resources – 7%: Tenderers to identify project management and project administration processes.
- Quality and Performance – 7%: Tenderers to identify process and procedures to ensure quality and performance of the contract is maintained at appropriate levels.
- Community Benefit – 5%: Tenderers to identify additional community benefits to be provided as part of this procurement to meet the Councils' requirements.
- Fair work practices – 4%: Tenderers to confirm how they commit to Fair Work Practices for workers (including any agency or Sub-Contractor workers) engaged in the delivery of the Contract.

Price Criterion

- The weighted price of 70% will be evaluated on the basis of the lowest total price received following a check for arithmetical and rating errors.

6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

6.1 The estimated total cost for the Council Housing external repainting programme is:

External Repainting Programme - Contracts 1, 2 and 3	£2,780,000
Fluctuations on the second and subsequent years of the contracts	£170,000
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	£2,950,000
Allowance for professional fees, supervisory, travel and administrative expenses	£450,000
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Estimated total cost over five years (at out-turn prices)	<u>£3,400,000</u>

6.2 The fees include architectural, construction design and management and quantity surveying services. The fee level also reflects the requirement to manage any issues arising from the interaction between the Housing tenants and the contractors this includes weekly supervision of the contracts by Technical and Property Services Clerk of Works. The level of service required is based on the experience with the management of the current external repainting programme.

6.3 An allowance of £550,000 has been made for expenditure relating to the current contracts in 2015/16 from within the Planned Maintenance Programme of the HRA Revenue and Maintenance 2015/16 budget.

6.3 Based on the estimated cost above the average annual cost of carrying out the external repainting painting over the five year period from April 2017 to March 2022 is anticipated to be £680,000. This is an increase over the 2015/16 budget allowance and reflects the possible increase in fluctuation levels which are based on anticipated inflationary price rises in the future. The figures also contain an element of provisional and contingency sums the extent of the expenditure required from these sums will only become known once each cycle is on site.

6.4 Provision related to the outcome of the tender returns will be required within future years' Planned Maintenance Programme budgets to accommodate the annual expenditure on the

new contracts. This will accordingly be factored into the Housing Revenue Account during the upcoming 2017/18 rent setting budget process.

7. OTHER IMPLICATIONS

Risks

- 7.1 An assessment is being undertaken for this project and has initially identified risks associated with encouraging SME involvement. Currently no other significant risks have been identified. Technical and Property Services has extensive experience of delivering projects of this nature in a timely manner and every measure will be taken to ensure that these contracts are effectively managed.

Risk	Mitigating Actions
Encourage SME Bidding Opportunity	Procurement split into 3 smaller lots and ensuring that local suppliers are alerted to the bidding opportunity.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Communities Committee 09/02/16 Report No 46/16 – 2016/2017 Housing Revenue Account Estimates

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